

Message Text

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45

ACTION NEA-12

INFO OCT-01 EA-11 ADP-00 SCEM-02 EB-11 COME-00 INT-08

TRSE-00 XMB-07 AID-20 IGA-02 OMB-01 CIEP-02 SS-15 L-03

H-02 NSC-10 CIAE-00 DODE-00 INR-10 NSAE-00 PA-03

RSC-01 USIA-12 PRS-01 RSR-01 EUR-25 /160 W

----- 009862

R 171200 Z MAY 73

FM USINT BAGHDAD

TO SECSTATE WASHDC 342

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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EO 11652: N/A

TAGS: ENRG BGEN IZ JA

SUBJECT: JAPANESE ACTIVITIES IN IRAQ

REF: BAGHDAD 241 (NOTAL)

1. SUMMARY: SINCE MARCH 1 SETTLEMENT OF NATIONALIZATION DISPUTE WITH IPC, WHICH REMOVED ALL LEGAL OBSTACLES TO PURCHASE OR IRAQI CRUDE, JAPANESE APPEAR TO BE MAKING CONCERTED EFFORT TO ESTABLISH PRESENCE IN IRAQ AND INSURE FUTURE ACCESS TO CRUDE. US SHOULD DO WHAT IT CAN TO COMPETE THROUGH EXIMBANK FINANCING. END SUMMARY.

2. NEW JAPANESE AMBASSADOR, SEIICHI SHIMA, FORMERLY AMB. IN QUITO AND CONSUL GENERAL IN SAN FRANCISCO, PRESENTED CREDENTIALS JAN 23 AND PROCEEDED TO LEASE LARGEST, MOST SPLENDID AMBASSADORIAL RESIDENCE IN BAGHDAD. JAPANESE NATIONAL DAY CELEBRATION IN NEW RESIDENCE WAS ELABORATE, EVEN LAVISH, BY BAGHDAD STANDARDS.

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3. MAJOR JAPANESE ACCOMPLISHMENT TO DATE APPEARS TO BE JOINT VENTURE WITH ERAP FOR EXPLOITATION OF ABU GHRAH AND BAZARKAN FIELDS. PRODUCTION TO BEGIN UPON COMPLETION OF INOC DEEP WATER TERMINAL AND WILL INITIALLY BE ABOUT 8 MTA. AGREEMENT ANNOUNCED ON MAY 14 SAYS ONLY THAT " INOC HAS APPROVED ARRANGEMENT BY WHICH GROUP OF JAPANESE FIRMS HAVE COME INTO PARTNERSHIP WITH ERAP.... ERAP WILL CONTINUE TO ASSUME FULL RESPONSIBILITIES FOR ALL OPERATIONS". ERAP HAD BROKEN OFF NEGOTIATIONS LAST YEAR BECAUSE NEW IRAQI DEMANDS WOULD HAVE MADE EXPLOITATION OF THIS HIGH COST, LOW QUALITY OIL UNPROFITABLE. JAPANESE AMBASSADOR TOLD ME MAY 15 THAT JAPANESE COMPANIES ARE ALSO BIDDING ON SEVERAL MAJOR TENDERS IN PETROLEUM SECTOR, INCLUDING NORTH- SOUTH HADITHA PIPELINE AND INOC' S DEEP WATER TERMINAL. US FIRM NEILL- PRICE INTERNATIONAL ALSO INTERESTED IN N- S PIPELINE AND HAS APPARENTLY HAD DISCUSSIONS ABOUT POSSIBILITY OF JAPANESE FINANCING. PROJECT EXPECTED TO COST WELL OVER 100 MILLION DOLLARS. NEILL- PRICE REP FROM TEHRAN, R. E. DOWELL, VISITED BAGHDAD MAY 14 TO OBTAIN TENDER DOCUMENTS AND SAID COMPANY WOULD PREFER EXIMBANK FINANCING, BUT HE UNDERSTOOD EXIMBANK DOES NOT WISH TO GET INVOLVED IN LARGE PROJECT AT THIS TIME.

4. COMMENT: ALTHOUGH MY INFORMATION ON JAPANESE ACTIVITY IS SCANTY, IT PROVIDES INKLING OF INCREASINGLY TOUGH COMPETITION US FIRMS ARE GOING TO FACE FROM MAJOR CONSUMING COUNTRIES WHO ARE WILLING TO TAKE RISKS TO ESTABLISH PRESENCE IN IRAQ, PRESUMABLY BECAUSE THEY BELIEVE SUCH PRESENCE WILL GIVE THEM ACCESS TO OIL IN FUTURE. JAPANESE AMBASSADOR IS OBVIOUSLY KEPT VERY WELL INFORMED BY JAPANESE BUSINESSMEN AND NO DOUBT PROMOTES THEIR INTERESTS WITH GOI. WHILE THERE IS NO POSSIBILITY FOR DIRECT USG INTERVENTION WITH GOI, THE ONE THING THAT WE COULD DO TO GIVE US FIRMS BOOST IS TO HOLD OPEN POSSIBILITY OF EXIMBANK FINANCING UNTIL WE HAVE TESTED SERIOUSNESS OF GOI INTEREST IN TURNING TO US FIRMS FOR SOME MAJOR PROJECTS.
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